

FINANCIAL STATEMENTS OF

BC INFRASTRUCTURE BENEFITS INC.

YEAR ENDED MARCH 31, 2023

May 18, 2023

Statement of Management's Responsibility
Year ended March 31, 2023

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Corporation's Board of Directors carry out their responsibility for review of the financial statements principally through the Audit, Finance and Risk Committee. The voting members of the Audit, Finance and Risk Committee are composed entirely of persons who are neither management nor employees of the Corporation. The Audit, Finance and Risk Committee meets with management and staff and the external auditors to discuss the results of the audit examination and financial reporting matters. The auditors have full access to the Audit, Finance and Risk Committee with, and without, the presence of management and staff.

Smythe LLP, an independent firm of chartered professional accountants, is appointed by the Board of Directors to audit the financial statements and report to the Board through the Audit, Finance and Risk Committee; their report follows.

Yours truly,



Irene Kerr
Chief Executive Officer



Mario Piscitelli
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF BC INFRASTRUCTURE BENEFITS INC.

Opinion

We have audited the financial statements of BC Infrastructure Benefits Inc. (the "Corporation"), which comprise:

- ♦ the statement of financial position as at March 31, 2023;
- ♦ the statement of operations for the year then ended;
- ♦ the statement of changes in net assets for the year then ended;
- ♦ the statement of cash flows for the year then ended; and
- ♦ the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 18, 2023

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BC Infrastructure Benefits Inc.

Statement of Financial Position

As at March 31, 2023

(in \$000's)

| | Notes | 31-Mar-23 | 31-Mar-22 |
|--|--------------|------------------|------------------|
| Financial assets | | | |
| Cash and cash equivalents | | \$ 8,155 | \$ 11,967 |
| Accounts receivable | 3 | 9,973 | 10,032 |
| Due from government and government organizations | 4 | 4,440 | 8,189 |
| | | <u>22,568</u> | <u>30,188</u> |
| Liabilities | | | |
| Debt | 5 | 16,057 | 24,010 |
| Accounts payable and accrued liabilities | 6 | 5,621 | 7,321 |
| Due to government and government organizations | 7 | 3,328 | 861 |
| Deferred capital contributions | 8 | - | 36 |
| | | <u>25,006</u> | <u>32,228</u> |
| Net debt | | <u>(2,438)</u> | <u>(2,040)</u> |
| Non-financial assets | | | |
| Tangible capital assets | 9 | 2,201 | 1,871 |
| Prepaid expenses | 10 | 237 | 169 |
| | | <u>2,438</u> | <u>2,040</u> |
| Accumulated surplus | | <u>\$ -</u> | <u>\$ -</u> |

Approved on behalf of the Board of Directors on May 18, 2023



David Miller, Chair



Cynthia Morton, Director

The accompanying notes form an integral part of these financial statements.

BC Infrastructure Benefits Inc.

Statement of Operations

For the year ended March 31, 2023

(in \$000's)

| | Note | Budget | 31-Mar-23 | 31-Mar-22 |
|---|-------------|----------------|------------------|------------------|
| Revenues | | (Note 12) | | |
| Contracted Services | | \$ 226,692 | \$ 129,228 | \$ 57,094 |
| Service Fee | | 17,734 | 13,628 | 11,452 |
| Interest Revenue | | - | 282 | 46 |
| Other Revenue | | - | 73 | 31 |
| | | <u>244,426</u> | <u>143,211</u> | <u>68,623</u> |
| Expenses | 11 | | | |
| Project Skilled Workforce | | 226,692 | 129,228 | 57,094 |
| People Services | | 3,692 | 2,739 | 1,796 |
| Operations | | 4,762 | 2,861 | 1,958 |
| Finance and Corporate Services | | 9,280 | 8,383 | 7,775 |
| | | <u>244,426</u> | <u>143,211</u> | <u>68,623</u> |
| Annual operating surplus | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Accumulated surplus (deficit) at beginning of year | | - | - | - |
| Accumulated surplus (deficit) at end of year | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes form an integral part of these financial statements.

BC Infrastructure Benefits Inc.

Statement of Changes in Net Debt
For the year ended March 31, 2023
(In \$000's)

| | <u>Budget</u> | <u>31-Mar-23</u> | <u>31-Mar-22</u> |
|--|--------------------------|-------------------|-------------------|
| Surplus | <u>(Note 12)</u> \$ - | \$ - | \$ - |
| Effect of change in tangible capital assets: | | | |
| Acquisition of tangible capital assets | (1,550) | (846) | (630) |
| Amortization of tangible capital assets | <u>600</u> | <u>516</u> | <u>393</u> |
| | (950) | (330) | (237) |
| Effect of change in prepaid expenses | | | |
| Acquisition of prepaid expenses | (1,100) | (1,162) | (1,147) |
| Use of prepaid expenses | <u>1,100</u> | <u>1,094</u> | <u>1,154</u> |
| | - | (68) | 7 |
| Increase in net debt | <u>\$ (950)</u> | <u>\$ (398)</u> | <u>\$ (230)</u> |
| Net debt at beginning of year | <u>(2,100)</u> | <u>(2,040)</u> | <u>(1,810)</u> |
| Net debt at end of year | <u>\$ (3,050)</u> | <u>\$ (2,438)</u> | <u>\$ (2,040)</u> |

The accompanying notes form an integral part of these financial statements.

BC Infrastructure Benefits Inc.

Statement of Cash Flows

For the year ended March 31, 2023

(In \$000's)

| | <u>31-Mar-23</u> | <u>31-Mar-22</u> |
|---|------------------|------------------|
| Operating transactions | | |
| Surplus | \$ - | \$ - |
| Items not affecting cash: | | |
| Amortization of tangible capital assets | 516 | 393 |
| Amortization of discount on debt | 402 | 16 |
| Amortization of foreign exchange gain | (13) | - |
| Discount on debt | (536) | (14) |
| Unamortized foreign exchange loss/(gain) on debt | 25 | (1) |
| Decrease in deferred capital contributions | (36) | (20) |
| Changes in operating working capital: | | |
| Decrease/(Increase) in accounts receivable | 59 | (9,346) |
| Decrease in due from government and government organizations | 3,749 | 1,341 |
| Increase/(decrease) in prepaid expenses | (68) | 7 |
| (Decrease)/Increase in accounts payable and accrued liabilities | (1,700) | 5,290 |
| Increase in due to government and government organizations | 2,467 | 519 |
| Cash provided by/(applied to) operating transactions | <u>4,865</u> | <u>(1,815)</u> |
| Capital transaction | | |
| Cash used in acquisition of tangible capital assets | <u>(846)</u> | <u>(630)</u> |
| Cash applied to capital transaction | <u>(846)</u> | <u>(630)</u> |
| Financing transactions | | |
| Debt issues | 52,460 | 49,974 |
| Debt repayment | <u>(60,291)</u> | <u>(41,965)</u> |
| Cash (applied to)/provided by financing transactions | <u>(7,831)</u> | <u>8,009</u> |
| (Decrease)/increase in cash | (3,812) | 5,564 |
| Cash at beginning of year | 11,967 | 6,403 |
| Cash at end of year | <u>\$ 8,155</u> | <u>\$ 11,967</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | 348 | 8 |

The accompanying notes form an integral part of these financial statements.

1. NATURE OF OPERATIONS

BC Infrastructure Benefits Inc., (“BCIB” or “the Corporation”) is a provincial Crown corporation incorporated under B.C.’s *Business Corporations Act* on July 16, 2018, and directly accountable to the Minister of Finance. As a provincial Crown agency, BCIB is subject to legislative regulations in government reporting Acts which include the *Budget Transparency and Accountability Act* and the *Financial Administration Act*.

BCIB was established to implement, measure and report on the objectives of the Community Benefits Agreement (“CBA”), a collective agreement between BCIB and the Allied Infrastructure and Related Construction Council (“AIRCC”) to grow the skilled trades workforce by creating career opportunities for underrepresented workers, locals, and apprentices on select public infrastructure projects.

BCIB is exempt from income taxes under subsection 149 (1) of the *Income Tax Act* (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

a) *Basis of Accounting*

These financial statements have been prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act of the Province of British Columbia*. This act requires BCIB to prepare financial statements in accordance with Public Sector Accounting Standards, except with regards to accounting for government transfers as set out below.

In November 2011, the Treasury Board provided a directive through *Restricted Contributions Regulation 198/2011*. This provided direction for the reporting of restricted contributions whether they are received or receivable by BCIB before or after this regulation was in effect.

b) *Revenue Recognition*

BCIB revenues include contracted services revenue, service fees, and other miscellaneous revenues. Contracted services revenue represents the aggregate payroll costs billed mainly to the Contractors for the provision of skilled employees working on CBA projects. Service fees revenue represents revenue from the project Owners pursuant to the Employee Supply Agreements (“ESA”).

PS 3400 establishes standards for the accounting for revenue arising from exchange transactions. BCIB performs work and incurs costs ahead of the construction start on projects and during the construction phase to achieve the objectives of the CBA and to satisfy its obligation to project Owners. As BCIB performs work, it recognizes revenue from project Owners to offset its costs.

Interest and other revenue are recognized when earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) *Restricted Revenue*

Under Restricted Contributions Regulation 198/2011, government transfers are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follow:

- Contributions for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contribution and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

d) *Expense Recognition*

Costs incurred by BCIB are expensed as incurred. Expenses are recorded on an accrual basis.

e) *Tangible Capital Assets*

Tangible capital assets are non-financial assets having a physical substance that:

- are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, or maintenance or repair of other tangible capital assets;
- have useful economic lives extending beyond an accounting period;
- are to be used on a continuing basis; and
- are not for sale in the ordinary course of operations.

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development, installation, and betterment of the asset.

Smaller value tangible capital assets which are identical, similar or related are grouped together as an asset pool and accounted for as a single asset for amortization purposes. Assets that meet these criteria and that are acquired during a fiscal quarter are pooled together and half the amortization is taken in the quarter of acquisition. Standalone higher value tangible capital assets are not pooled and are amortized starting in the month following acquisition.

Amortization begins when the asset is brought into productive use. The cost of the tangible capital asset is amortized over its estimated useful life. Methods and rates are reviewed annually and adjusted if necessary. If there are changes to the methods and rates, these are accounted for prospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amortization method and useful lives for each asset class are as follows:

| Asset | Amortization Method | Useful Lives (in years) |
|------------------------------|----------------------------|--------------------------------|
| Furniture and fixtures | Straight Line | 3 to 5 |
| Leasehold improvements | Straight Line | Term of the lease |
| Computer assets and software | Straight Line | 3 to 10 |
| Vehicles | Straight Line | 10 |

Work-in-progress tangible capital assets are not amortized until the assets are completed and put into use.

At the end of each reporting period, BCIB reviews the value of its tangible capital assets that are in active service for impairment based on their service potential. Assets are written down when conditions indicate that they no longer contribute to BCIB's ability to provide services and the reduction in future economic benefits is expected to be permanent.

f) *Prepaid Expenses*

Prepaid expenses are recorded at cost. Prepaids are expensed on a straight-line basis over the life of the agreement as economic benefits are used.

g) *Pension Benefits*

Pension benefits for employees of the Corporation are provided through the BC Public Service Pension Plan, which is a defined benefit, multi-employer jointly trustee plan. Defined contribution plan accounting is applied as sufficient information is not available to apply defined benefit accounting. Contributions are expensed as they become payable (Note 14).

h) *Financial Instruments*

Financial instruments include primary instruments such as cash and cash equivalents, accounts receivable, amounts due from or to government and government organizations, accounts payable & accrued liabilities and debt.

The Corporation had classified each of its financial instruments in the following categories:

| | Category | Measurement |
|---|---------------------------------|--------------------|
| Cash and cash equivalents | Fair value | Fair value |
| Accounts receivable | Other financial assets | Amortized cost |
| Accounts payable and accrued liabilities | Other financial liability | Amortized cost |
| Debt | Other financial liability | Amortized cost |
| Due to/from government and government organizations | Other financial liability/asset | Amortized cost |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) *Measurement Uncertainty*

The preparation of financial statements requires management to make estimates and assumptions that impact the amount reported for assets and liabilities at the date of the financial statements, as well as the amounts reported for revenues and expenses during the reporting period. Items requiring the use of significant estimates include provisions for certain accrued liabilities and assessment of useful lives of tangible capital assets.

Estimates are based on the best information available at the time of preparation of the financial statements based on historical experience and other factors and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

3. ACCOUNTS RECEIVABLE

| (\$000's) | March 31, 2023 | March 31, 2022 |
|---------------------------|-----------------------|-----------------------|
| Trade accounts receivable | \$ 9,970 | \$ 10,029 |
| Other receivables | 3 | 3 |
| | <u>\$ 9,973</u> | <u>\$ 10,032</u> |

4. DUE FROM GOVERNMENT & GOVERNMENT ORGANIZATIONS

| (\$000's) | March 31, 2023 | March 31, 2022 |
|---|-----------------------|-----------------------|
| BC Transportation Financing Authority ("BCTFA") | \$ 3,494 | \$ 7,165 |
| Vancouver Island Health Authority ("VIHA") | 664 | 1,000 |
| BC Institute of Technology ("BCIT") | 252 | - |
| Canada Revenue Agency ("CRA") | 30 | 24 |
| | <u>\$ 4,440</u> | <u>\$ 8,189</u> |

Receivables from BCTFA, VIHA, and BCIT represents management service fees charged for the provision of workforce services and other project services. Receivables from CRA are from Goods and Services Tax ("GST") paid by BCIB.

5. DEBT

The Minister of Finance is the fiscal agent of BCIB. All debt is acquired through the provincial government's fiscal agency loan program and is either held or guaranteed by the Province. BCIB funds part of its operations with short-term debt. Debt typically matures within 3 to 8 months. BCIB is authorized to acquire up to \$100 million of short-term debt. On March 31, 2023, BCIB had one short-term debt totaling \$16 million (2021/2022 - \$24 million, consisting of two short-term debts), with a weighted average interest rate of 4.46% (2021/2022 - 0.13%). The \$16 million debt matures on June 2, 2023.

6. ACCOUNTS PAYABLE & ACCRUED LIABILITIES

| (\$000's) | March 31, 2023 | March 31, 2022 |
|---------------------|-----------------------|-----------------------|
| Accrued liabilities | \$ 3,565 | \$ 6,321 |
| Accounts payable | <u>2,056</u> | <u>1,000</u> |
| | <u>\$ 5,621</u> | <u>\$ 7,321</u> |

Accounts payable are in the normal course of operations and measured at the exchange amount. At times, the Corporation may be exposed to certain legal obligations. An estimated claim is accrued when a reasonable estimate can be made, and it is probable that a settlement can be reached. During the fiscal year, there were no legal obligations outstanding.

7. DUE TO GOVERNMENT & GOVERNMENT ORGANIZATIONS

| (\$000's) | March 31, 2023 | March 31, 2022 |
|------------------------------|-----------------------|-----------------------|
| Canada Revenue Agency | \$ 2,714 | \$ 531 |
| Province of British Columbia | 505 | 245 |
| BC Public Service Agency | <u>109</u> | <u>85</u> |
| | <u>\$ 3,328</u> | <u>\$ 861</u> |

The amounts payable to CRA are related to GST collected and payroll taxes. The amounts payable to Province of British Columbia relate to employer health tax. The amounts payable to BC Public Service Agency are primarily related to payroll services and employee benefits.

8. DEFERRED CAPITAL CONTRIBUTIONS

| (\$000's) | March 31, 2023 | March 31, 2022 |
|---|-----------------------|-----------------------|
| Deferred capital contributions, beginning of year | \$ 36 | \$ 56 |
| Amount recognized as revenue in the year | <u>(36)</u> | <u>(20)</u> |
| Deferred capital contributions, end of year | <u>\$ -</u> | <u>\$ 36</u> |

Deferred capital contributions represent funding from Ministry of Transportation and Infrastructure ("TRAN"), recognized as government transfer revenue over the expected useful life of the related tangible capital assets. As of March 31, 2023, BCIB has recognized all the deferred capital contribution as revenue.

9. TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost. The costs and accumulated amortization for BCIB's tangible capital assets at March 31, 2023 are as follows (\$000's):

| | Furniture & Fixtures | Leasehold Improvements | Computer Assets | Vehicle | Work- In-Progress | Total |
|---|-------------------------------------|-----------------------------------|----------------------------|----------------|------------------------------|-----------------|
| Cost | | | | | | |
| Balance at March 31, 2022 | \$ 167 | \$ 174 | \$ 1,941 | \$ 76 | \$ 137 | \$ 2,495 |
| Additions | 17 | 11 | | - | 818 | 846 |
| Transfers | | 63 | 104 | | (167) | - |
| Balance at March 31, 2023 | 184 | 248 | 2,045 | 76 | 788 | 3,341 |
| Accumulated Amortization | | | | | | |
| Balance at March 31, 2022 | 65 | 61 | 491 | 7 | - | 624 |
| Amortization | 38 | 60 | 410 | 8 | - | 516 |
| Balance at March 31, 2023 | 103 | 121 | 901 | 15 | - | 1,140 |
| Net book value at March 31, 2023 | \$ 81 | \$ 127 | \$ 1,144 | \$ 61 | \$ 788 | \$ 2,201 |

The costs and accumulated amortization for BCIB's tangible capital assets at March 31, 2022 are as follows (\$000's):

| | Furniture & Fixtures | Leasehold Improvements | Computer Assets | Vehicle | Work- In-Progress | Total |
|---|-------------------------------------|-----------------------------------|----------------------------|----------------|------------------------------|-----------------|
| Cost | | | | | | |
| Balance at March 31, 2021 | \$ 125 | \$ 98 | \$ 1,414 | \$ 31 | \$ 197 | \$ 1,865 |
| Additions | 42 | - | 164 | 45 | 379 | 630 |
| Transfers | - | 76 | 363 | - | (439) | - |
| Balance at March 31, 2022 | 167 | 174 | 1,941 | 76 | 137 | 2,495 |
| Accumulated Amortization | | | | | | |
| Balance at March 31, 2021 | 40 | 34 | 155 | 2 | - | 231 |
| Amortization | 25 | 27 | 336 | 5 | - | 393 |
| Balance at March 31, 2022 | 65 | 61 | 491 | 7 | - | 624 |
| Net book value at March 31, 2022 | \$ 102 | \$ 113 | \$ 1,450 | \$ 69 | \$ 137 | \$ 1,871 |

Work-in-progress consists of ongoing leasehold construction costs and development costs related to computer software and equipment and is not amortized until the assets are completed and put into use.

10. PREPAID EXPENSES

| (\$000's) | March 31, 2023 | March 31, 2022 |
|---------------------------|-----------------------|-----------------------|
| Computer software license | \$ 100 | \$ 87 |
| Office lease | 71 | 66 |
| Insurance | 41 | 16 |
| Other | 25 | - |
| | <u>\$ 237</u> | <u>\$ 169</u> |

11. BREAKDOWN OF TOTAL EXPENSES

| (\$000's) | March 31, 2023 | March 31, 2022 |
|------------------------------|-----------------------|-----------------------|
| Salaries and Benefits | \$ 137,855 | \$ 63,841 |
| Administration, IT and Other | 2,145 | 1,534 |
| Professional Services | 1,044 | 1,643 |
| Contractors | 1,366 | 815 |
| Facilities | 801 | 790 |
| | <u>\$ 143,211</u> | <u>\$ 68,623</u> |

Presentation of breakdown of total expenses for Fiscal 2022/23 was changed compared to Fiscal 2021/22 to align with BCIB's Fiscal 2022/2023 Service Plan.

12. BUDGETED FIGURES

The Fiscal 2022/2023 budget is reflected in the Statement of Operations and the Statement of Changes in Net Debt. Budget data presented in these financial statements is based upon the Fiscal 2022/2023 budget approved by the Board on January 10, 2022.

13. RELATED PARTY TRANSACTIONS

BCIB is related through common ownership to all Province of British Columbia ministries, agencies, crown corporations and all public sector organizations included in the Provincial Government Reporting Entity ("GRE"). Transactions with related parties are in the normal course of operations and recorded at the exchange amount, made on terms equivalent to those that prevail in arm's length transactions.

13. RELATED PARTY TRANSACTIONS (CONTINUED)

Employee Supply Agreements and a Letter Agreement have been signed with various project Owners. BCIB receives management service fees for the provision of workforce services and other project services to select major infrastructure projects. For Fiscal 2022/2023, BCIB recognized project and management service fees of \$13.63 million (2021/2022 - \$11.45 million) as follows:

| (\$000's) | March 31, 2023 | March 31, 2022 |
|---|-----------------------|-----------------------|
| BC Transportation Financing Authority ("BCTFA") | \$ 12,749 | \$ 10,452 |
| Vancouver Island Health Authority ("VIHA") | 639 | 1,000 |
| BC Institute of Technology ("BCIT") | 240 | - |
| | <u>\$ 13,628</u> | <u>\$ 11,452</u> |

BCIB billed BCTFA in Fiscal 2022/2023 \$1.9 million (2021/2022 - \$0.41 million) for additional owner costs which include wages and Road Building Addenda cost differentials.

14. EMPLOYEE BENEFIT PLAN

BCIB and its employees contribute to the Public Service Pension Plan (the "Plan"), a jointly trustee pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, have oversight responsibilities for the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer jointly trustee pension plan that shares risk between various entities.

The Corporation does not account for its participation in the multi-employer plan as a defined benefit pension plan because the Corporation does not have access to information about the plan that would enable the Corporation to record its share of the obligations of the plan, plan assets and costs of the plan. In addition, the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual entities that participate in the plan. Accordingly, the participation in the plan is accounted for using defined contribution accounting requirements. The Corporation accrues expenses for contributions that are contractually due to the plan as at the reporting period date that have not yet been paid. As of March 31, 2023, the Corporation has approximately 106 employees contributing to the plan, which has approximately 144,000 total active and retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest actuarial valuation was conducted in March 2020 and indicated a Basic Account actuarial funding valuation surplus of \$2.7 billion. The next valuation will occur in 2023. The actuary does not attribute portions of any unfunded liability to individual employers. In Fiscal 2022/2023, the employees of BCIB contributed \$563,250 (2021/2022 - \$419,618) to the Plan and the Corporation paid \$664,432 (2021/2022 - \$494,997) in employer contributions to the Plan.

15. CONTRACTUAL OBLIGATIONS

| (\$000's) | Operating Lease |
|-------------|-----------------|
| Fiscal 2024 | 901 |
| Fiscal 2025 | 901 |
| | <u>\$ 1,803</u> |

The majority of BCIB's operating leases include rental of office space that commenced in April 2019 for a term of 6 years. The additional rent included in the lease amount is based on a rate determined for 2023 and is subject to change based on actual expenses calculated by the Landlord.

16. CONTINGENT LIABILITIES

As part of BCIB's ongoing operations, from time to time, the Corporation may receive claims for labour-related matters. As at the end of Fiscal 2022/2023, BCIB received two claims. At this time, it is not possible to estimate the potential impact of these claims.

17. RISK MANAGEMENT

Credit Risk

Credit risk results when a BCIB counterparty fails to discharge an obligation of a financial instrument.

The maximum exposure of BCIB to credit risk at March 31, 2023 is as follows:

| (\$000's) | March 31, 2023 | March 31, 2022 |
|---------------------|------------------|------------------|
| Accounts receivable | \$ 9,973 | \$ 10,032 |
| Due from government | 4,440 | 8,189 |
| | <u>\$ 14,413</u> | <u>\$ 18,221</u> |

BCIB's exposure to credit risk is related to amounts owing from other provincial agencies, the federal government, and the value of accounts receivable in its normal course of business from Contractors. The risk is mitigated as the Contractors are bound by terms of payment and default clauses in project agreements which increases the likelihood BCIB will be paid.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows will fluctuate because of market interest rate changes. BCIB's exposure to interest rate risk is minimized because of the short-term nature of the debt and its ability to borrow through the Ministry of Finance. A one percentage short-term interest rate change could result in approximately a \$0.16 million cost differential.

17. RISK MANAGEMENT (CONTINUED)

Foreign Exchange Risk

Foreign exchange risk occurs when the fair value or future cash flows of a financial instrument are negatively impacted by a fluctuating foreign exchange rate. BCIB mitigates foreign exchange risk by locking in an exchange swap rate that fixes the final foreign currency gains/losses. At March 31, 2023, BCIB has foreign denominated debt in the amount of CAD \$16 million.

Liquidity Risk

Liquidity risk occurs if BCIB is unable to meet its financial obligations as they fall due. BCIB's liquidity risk is mitigated through a short-term financing agreement with the Ministry of Finance that enables the corporation to borrow up to \$100 million on a short-term basis. BCIB regularly monitors its cash flows and if necessary, BCIB can borrow as needed to satisfy its financial obligations.